UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D. C.

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BASIC QUESTIONS AND ANSWERS ON AGRICULTURAL ADJUSTMENT

PART II

How Has Agricultural Adjustment Worked?

It has been shown in Part I that the farmer's principal difficulty was the lack of balance between his crops and his markets. What means were proposed early in 1933 to lift him out of the depression?

The Agricultural Adjustment Act, passed in May, 1933, offered farmers a method by which they could work effectively toward a balanced agriculture.

This law had the approval of the Grange, the Farm Bureau and the Farmers' Union.

What Was Its Main Purpose?

The Adjustment Act gave agriculture a constitution--a kind of bill of rights--under which orderly processes of production could take the place of disorderly processes, and collective agreements and collective action could secure to the individual the advantages which he desired but could not obtain single-handed.

The Act outlined specific methods for bringing about the desired equality. These methods were advanced as frankly experimental in nature, to be used for as long--or as short--a term as they served a useful purpose.

In a speech on the Act, Secretary of Agriculture Henry A. Wallace said that "it is perhaps as crude as the first automobile, but I think it is profoundly right in purpose...and I believe it can be made to work, if the rank and file of the people of the United States...are genuinely hungry to distribute the fruits of science in a just way".

In sending the bill to Congress, the President said of the Act that "if a fair administrative trial of it is made and it does not produce the hoped-for results, I shall be the first to acknowledge it and advise you."

Changes in methods have since been made and more from time to time probably will be recommended; for the Administration has never intended to force made-in-Washington blueprints upon situations for which they offer no orderly scheme of adjustment.

Programs under the Act have been made in response to an urgent demand from those with whom the demand originated.

Why Do Adjustment Measures Differ?

Measures necessary to achieving agricultural adjustment may differ widely from year to year and from problem to problem. In keeping an even balance between farm products and markets, and between farmers and city population, pressure probably will need to be put first on one side and then on the other side of the scale.

The main purpose underlying the Adjustment Act is to balance production with effective demand. Once having attained this balance, the further aim of the Act is to prevent the troublesome cycles of high and low production which, in the past, have penalized farmers and consumers by creating severe price swings.

So long as these swings occur, farming cannot be brought into a position of parity or equality with our other great industries.

At the outset, the job was to handle surpluses of farm products which had been creating farm poverty in the midst of farm plenty ever since the war.

Doesn't the Weather Average Itself Out?

An extensive drought or other widespread disaster might temporarily alter the agricultural situation so much that, rather than restriction of the production of commodities in a region, the maintenance of agricultural balance might for a season require a regional expansion of cultivation.

Restriction and expansion are specific methods exactly opposite to each other, but either might contribute equally to accomplishing the purpose of the Act as conditions determine. Weather conditions tend to average themselves out in the long run.

None of the root-difficulties of agriculture is affected at all by temporary changes in weather.

What are "Basic Commodities?"

"Basic commodities" named in the original Act are cotton, wheat, field corn, hogs, rice, tobacco and milk and its products. In 1934 the Act was amended to include sugar, beef and dairy cattle, peanuts, rye, flax, barley and grain sorghums.

These 14 commodities were selected because the most important of them have been subject to the greatest pressure of accumulated export surpluses and falling world prices; also because they pass through some form of processing before they reach consumers, and can thus be controlled at the processing point; and, furthermore, because these commodities together yielded most of the revenue of American farming in 1929.

The Act, therefore, authorized the Secretary of Agriculture to undertake to improve the position of these commodities. In addition to this, the Act made it possible to assist producers of other farm products through marketing agreements and licenses.

The control of basic commodity production was provided for through a system of benefit financed by processing taxes on the commodities at the first stage in their preparation for use by consumers.

What Is Meant by Parity?

Equality for agriculture is expressed in terms of actual prices and actual proportions of the national income. For a starting point, a period had to be selected when price relations among various producing groups in the nation were considered to be equitable.

Such a period was that which preceded the World War. At that time, the factors in American production were sufficiently well adjusted to one another that only minor changes in prices and incomes were taking place. Consequently, for all basic commodities except tobacco, the period from August 1909, to July 1914, was chosen as the base period for calculating parity prices.

For tobacco the base period is August 1919, to July 1929.

Parity prices are declared in the Act to represent the fair exchange value for farm commodities in terms of the goods that farmers buy. For example, the price of a bushel of wheat, to be at parity, would have to buy as many shoes, farm implements, or the like as the price of a bushel of wheat would have bought in the period from 1909 to 1914.

As prices of both agricultural and non-agricultural goods change from month to month, parity-price figures also change.

Parity figures for the basic commodities are a kind of yardstick for determining how close farmers are to equality. They are points of reference.

Parity figures tell farmers to what extent they are sharing in the national income.

As prices for things that farmers buy increase, parity prices for products that farmers sell go up.

What Were the First Steps?

Plans at the outset under the Act depended for their effectiveness upon meeting three main requirements:

First, the production of basic farm commodities had to be controlled. Adequate reductions of surpluses had to be made on farms. Without these reductions, action further along the line would be useless.

Experience had shown in previous years that the adoption of a price-fixing program rather than a program of crop reduction would increase rather than diminish the difficulties of farmers and the American people as a whole.

Second, the farmer who reduced his output had to be assured of the kind of protection which the cooperatives had in most cases been unable to supply.

All too often the cooperator had seen the outsider reap where the cooperator had sown.

Unless the Government could prevent greedy individualists from taking an advantage, collective action in the field of production control under public auspices would be as certain to fail as it had been under private auspices.

Third, the well-being of the consumer of farm products had to be considered along with that of farmers.

In offering farmers a constitution--a new bill of rights--the administration was offering a plan under which farmers should have economic equality, not economic privilege.

Why Hunger in the Midst of Plenty?

"Isn't it wrong to restrict food production when people are going hungry?" This question has often been asked.

In this country of great productivity, every person should have enough to eat.

It is the responsibility of the people at large, acting through the Government, to see to it that no person shall starve. Since March, 1933, under President Roosevelt's direction, this responsibility has been assumed by the Federal Emergency Relief Administration and the Federal Surplus Relief Corporation.

The reduction brought about under the adjustment programs applies only to farm surpluses. It does not apply to the production of that amount of farm commodities which is normally consumed in this country. Nor does it apply to the amount which we can export at this time, nor to carry-overs which are made from year to year in sufficient amount to keep the Nation from suffering in case of unexpected shortagesdue to crop failures.

What the reduction programs apply to is that portion of our farm commodities for which there is no market, except at prices which farmers may rightly consider ruinous to farming.

Do Farmers Alone Suffer Under Farm Depression?

The Adjustment Act recognizes that both the farmer and the general public suffer when the farmer receives less than his share of the national income, and that both would likewise suffer if the farmer should receive more than that share.

Lasting stability can be achieved only as parity is established among the different groups in the nation, and, once established, is maintained.

There is room for immense improvement in the incomes of both country and city people, but the advance toward a better standard of living for all can be achieved only if balanced progress is maintained.

Neither farmers, nor industrial workers, nor business men, as one group can profit long at the expense of, or out of balance with, each other.

What is Being Done?

Farmers are making contracts with the Secretary of Agriculture to adjust their production. In return for their cooperation, they receive benefit payments. Some of these payments take the form, as in the wheat program, of benefit payments on that part of the producer's crop that is domestically consumed.

This is, in substance, what has been known for several years as the "domestic allotment plan."

Some of the benefit payments take the form, as in the case of some of those made under the cotton program, of options on cotton stored by the Federal Farm Board and other Government agencies. These options enable cooperating farmers who obtain them to profit by a price rise while not suffering from a price fall.

In other cases the Government pays rent on acres either plowed up or not planted, provided that they are not used for growing competitive crops.

The seeding of acres retired from surplus crops to pasture and forage, so as to get back the grass plowed up during the war, is encouraged under the adjustment programs.

What is a "Benefit Payment?"

The benefit payment brings about the crop adjustment needed to secure an adequate carry-over and a parity price level.

The benefit-payment plan protects the consumer of farm products by insuring that benefit payments will not carry prices higher than the parity level. It rewards the cooperating farmer by giving him a greater total return, under prevailing conditions, than the non-cooperator receives.

It fulfills this function by dividing the return on the cooperator's farm operations into two parts. He gets his pay, first, in the market price of what he produces, and, second, in the benefit payment on any acres that he may retire from surplus crops.

The none-cooperator, even though increasing his production, can under no circumstances get more than the market price of what he sells. Not only is the cooperator protected against loss resulting from the actions of outsiders, but he gets a visible reward for his cooperation.

The maximum amount of the benefit payment of any commodity is determined by the difference between the current price of the commodity and its parity price.

Isn't it a Form of Crop Income Insurance?

Benefit payments serve as a kind of crop-income insurance. They are computed on the cooperating farmer's average production over a period of years, not on his current production. Hence they are not affected by a single year's crop failure.

The amount of the payment benefit in any one year is not affected by the size of the crop that the farmer gets in that year. His yield may be burned out, hailed out, flooded out or otherwise cut down or destroyed, but if he signs a production adjustment contract and fulfills its terms, he gets his benefit payment just the same.

In the event of a serious weather or pest condition, the crop-income insurance feature of agricultural adjustment programs may mean the difference between misery and sustenance for farmers. At the same time, the nation is insured that fertile areas temporarily rendered unproductive will be restored to and continued in production.

What are Marketing Agreements and Licenses?

Besides producers of basic crops under benefit-payment programs, growers of many other products less widely distributed are being helped by marketing agreements and licenses. Under the Adjustment Act, the Secretary of Agriculture has the power to enter into these agreements and issue licenses.

Milk, fresh fruits, vegetables, nuts and canners' crops produced and marketed in various areas have been brought under marketing agreements and licenses, which have materially increased the income of producers of these commodities. Sometimes an agreement and a license are used; sometimes one or the other is used alone.

Agreements and licenses apply directly to distributors and handlers, either independent dealers, or producers' cooperatives, but they are intended to improve the marketing situation of producers themselves, and help them to get better prices for their products.

Various devices are used in marketing agreements, from the control of the flow of supply to market, as in the case of some fresh fruits, to the control of output, as with cling peaches, or the control of acreage, as with rice.

Milk licenses fix minimum prices which dealers must pay to farmers producing fluid milk and cream for cities in which the licenses are in effect. Almost 50 milk licenses are in operation, several of them in the Northeastern States.

Marketing agreements, like production programs, provide a way by which non-cooperators may be prevented from taking advantage of cooperators.

A number of cooperative marketing organizations whose membership controls a large protion of the total supply of the product marketed have found marketing agreements under the Act extremely helpful in preventing non-members from nullifying their efforts.

In some cases the Adjustment Administration has cooperated with the National Recovery Administration in working out and supervising codes of fair competition for industries dealing with agricultural products.

Why is Organization Necessary?

The adjustment program requires action by the Agricultural Adjustment Administration in Washington, serving as a centralizing agency to enable interested farmers to work out plans to fulfill the intent of the Act, and to adapt methods of adjustment to new conditions as they appear.

It requires action in the states and counties, to transmit to farms and apply there the plans worked out in Washington.

It requires action on farms by the people who till them, who are the beneficiaries of whatever is accomplished, and on whose cooperation the success of the program depends.

Are Farmers on Their Own Job?

Organized farmers themselves constitute the local set-up of the administration. Each adjustment program has grouped the signers of contracts into county production control associations which have been the mainstay of the whole movement for crop control.

The national set-up created under the law within the Department of Agriculture is simple. Existing services of the Department of Agriculture have been largely drawn upon. The Act has been executed with the addition of a minimum of new machinery and personnel.

Under the Administrator of the Act, Chester C. Davis, are **six major** units: The Commodities Division, the Divisions of Planning, Information, and Finance, the Office of the General Counsel, and the Comptroller's Office.

Contact between farmers and the Department of Agriculture has long been maintained by the state extension staffs and county agents. There was no need for a new set of workers to link farmers with Washington.

How is the Job Financed?

By the end of March, 1934, the Adjustment Administration had disbursed \$179,702,687. By the end of 1935, it anticipates a disbursement of about \$840,000,000.

Adjustment programs are financed largely by receipts from processing taxes, collected from the first domestic processor of each of the basic commodities--the miller, cotton textile manufacturer, meat packer and so on.

In the consumer's interest, the tax was limited by law to the amount necessary to raise the current farm price of the commodity to the parity price.

Where the application of the full amount of such a tax would cut down consumption and therefore pile up new surpluses, the Secretary of Agriculture is

permitted to fix the tax at a lower level. This has been done in the case of the corn-hog program.

What are Compensating Taxes?

As the prices of competing commodities sometimes largely determine how much of each will be bought, the Secretary is allowed to place compensating taxes on commodities whose use is likely to replace that of commodities bearing a processing tax.

Compensating taxes are in effect on jute and paper where they come into competition with cotton.

Similar taxes are permitted on imported articles, so as to maintain the usual competitive relationships between the use of imported and domestic goods.

Who Pays Processing Taxes?

Supply and demand conditions determine who pays the processing tax on a given commodity. The demand for the product may be elastic or inelastic. It is inelastic when about the same amount of it is bought, whether the price be high or low.

The demand is elastic when a rise in price is immediately followed by a drop in the quantity sold.

When the demand is inelastic, the processing tax is likely to be paid by the consumer, since he will continue to buy even if the whole tax is added to the price of the goods.

When the demand is elastic, the consumer may pay less than the full amount of the tax if the same quantity of the product is put on the market as before. In a case of this kind, the producer and the distributor will each try to make the other absorb the tax.

While supplies of a commodity continue to be excessive, the processing tax on it is likely to be passed back to the producer in the form of prices lower than they would be if shipments were smaller.

Experience with processing taxes indicates that, in the case of cotton goods and wheat flour, the taxes have been consistently paid by the consumer. These are non-perishable commodities.

Wheat and cotton can be stored; they do not have to be thrown upon the market as soon as they are produced. They are partly sold abroad. That tends constantly to bolster up the price at home.

Wheat and cotton are regarded by the public as necessities, and, therefore, the demand for both is highly inelastic.

What Was the Effect of the Tax on Hogs?

On hogs the effect of the tax has been varied, according to the extent of supplies sent to market. For pork products the demand is highly elastic. Consumers buy more when prices are low and less when prices rise.

Processing taxes, therefore, have been applied gradually to hogs. They began with 50 cents per 100 pounds live weight in November, 1933, and rose to $2.25 in March, 1934.

From October to January (1934) farmers shipped large supplies of hogs which consumers would not have accepted if the price had been materially raised. Later, as supplies were brought into control, the higher tax could be levied without causing a lowering in the farm price.

Did Government Pig-Buying Improve Prices?

Price-raising effects of the emergency hog-buying program by the Government, which eliminated over 6 million pigs and light hogs from farms in the fall of 1933, were not felt by farmers in that period because those pigs, if left on farms, would not have been sold until later.

During those months, many farmers assumed that they themselves were paying part of the tax. In no instance has it been contended that they were paying all of the tax.

After January, 1934, the effect of the pig-buying program began to be felt by farmers, and the curtailed supply changed a buyers' market into a sellers' market.

From January to March, 1934, the tax appeared to be generally paid by consumers. Prices to farmers for hogs rose from $3.06 per cwt. on January 15 to $3.88 on March 15. (The average at Chicago on October 24, 1934, was $5.40).

What Was the Effect of Drought Shipments?

By the end of March, 1934, the supply situation began to reverse itself. As shipments increased, prices to farmers declined, with a marked drop in price when large shipments were forced on the market by drought.

Twice, immediately following the raising of the tax on February 1 and on March 1, packers absorbed a part of the tax, for they were unable to raise wholesale prices of pork as fast as the price of hogs, as well as the tax, was going up.

During most of the period after processing taxes on hogs were levied, farmers received more in price alone than they got for hogs in the corresponding period a year before and, in addition to that, they got their benefit payments.

Where Does the Tax Money End Up?

Even if it could be shown that the farmer pays part of the processing tax, that would not in itself mean that he is not gaining substantially from it.

If there were no tax, there could be no benefit payments. Without these payments, no voluntary control of production would be feasible.

Without production control, supplies would continue to be excessive and prices to farmers would remain at ruinously low levels.

What counts, after all, is who gets the income from the processing tax, and who is helped by the whole program.

The tax money winds up in farmers' pocketbooks.

What is the Effect on Consumers?

Are processing taxes ever paid more than once?

Whenever a tax is levied there is a possibility that, in the course of its being passed on, it may be piled up, so that the ultimate consumer of the product taxed has to cover it several times.

To prevent this and to prevent abuses of the consumer in the case of processing taxes, a Consumers' Counsel, established in the Adjustment Administration, issues a semi-monthly bulletin called the "Consumers' Guide."

In this publication price movements and the elements which compose them are set forth, so that consumers may know just how much the tax adds to the prices that they pay.

How do Consumers Know the Facts?

The April 9, 1934, issue of the Consumers' Guide shows the part played by processing taxes in the prices of clothing, bread and some other commodities.

The tax does not directly represent more than 1/2 cent in the 7.9-cent average price of a 1-pound loaf of bread; nor more than 3.4 cents in the price of a woman's cotton dress, 6.2 cents in the price of a man's work pants, 7.6 cents in the price of a sheet, 3.2 cents in the price of a bath towel, 1.3 cents in the price of a yard of unbleached muslin.

Further increases have been due to increased labor costs and other factors, but, as these figures indicate, increases in consumers' prices directly due to processing taxes alone are relatively small.

Does the Consumer's Mite Help Farmers Much?

A small rise in the consumer's price usually accompanies a much greater percentage rise in the farmer's price, because the farmer's share in the retail price usually is very low, and also because the costs of distribution usually remain about the same, regardless of price.

If, for example, the consumer has been paying $1 for a bushel of potatoes, the farmer's share likely has been 35 cents. If the consumer pays $1.10, the farmer received 45 cents instead of 35 cents. The increase in his price is 39 per cent, while that of the consumer is only 10 per cent.

In March, 1933, the consumer paid an average of 3 cents a pound for flour; the farmer got .8 of a cent. In March, 1934, the consumer paid an average of 4.8 cents a pound and the farmer got 2.3 cents.

A moderate decrease in the consumer's price may almost wipe out the farmer's margin. A moderate increase in what the consumer pays, which occurred late in 1933, may greatly improve the farmer's chance of making a living.

What Does the Processing Tax Do?

The processing tax not only supplies the funds to increase the farmer's income, but it is the essential instrument by which production control is secured.

In a sense, the tax and the benefit payment may be considered as the farmer's tariff, calculated to place him on a more equal footing with the protected industrialist producing goods bought by farmers.

Large portions of farm crops are ordinarily sold at world prices. Consequently import duties give but little protection to producers of these crops.

So long as the United States maintains a high tariff to protect the prices of many industrial products which farmers have to buy, the processing tax is needed to give an equal protection to the prices of farm products which farmers sell.

Are Other Measures Helping Farmers?

Farm product prices fell not only because farmers put too many commodities on the market but because many of their normal customers, both at home and abroad, were out of the market.

The policy for agriculture contained in the Adjustment Act offered a means by which the farmer's original difficulty--that of overproduction--could be corrected.

At the same time, the Government undertook parallel policies to stimulate recovery on the part of groups whose decreased purchasing power was the cause of agriculture's further decline.

These measures were taken primarily on behalf of the groups concerned, but, wherever they restored those groups to the market, they substantially benefited farmers.

What of the Buying Power of Non-Farmers?

Farmers on land and workers in cities are the two great groups whose purchasing power determines whether commodity markets are weak or strong. If workers and farmers are able to buy, there are not likely to be long-continued surpluses of farmers' produce and workers' time.

The Adjustment Act is the Government's answer to surpluses of farm products and low prices for these products. Its parallel answer to low wages and unemployment are the National Recovery Act, public and civil work projects, and Federal emergency relief.

Most of the money put into the hands of factory workers who have been receiving starvation wages or none at all is bound to be used for necessities --food, clothing and shelter.

Workers employed on public or civil works spend their wages in the same way, and the unemployed on relief put almost all of their grants into commodities.

Do Expenditures Improve Markets?

All these expenditures strengthen markets. In particular, they strengthen the farmer's market. The increased consuming power of city workers goes very largely for things that farmers produce.

Producers of livestock products in particular know that the amount of money spent for their products varies directly with the volume of factory payrolls.

Government purchases of pork, butter, and other farm products to be distributed among the unemployed have lightened the pressure on the farmer's market by direct action.

The general price rise of over 30 per cent in 1933 shows the mutual benefit to farm and city obtained from Government programs for particular producing groups.

Is the New Monetary Policy Helpful?

The Government's monetary policy, which applied directly to the price level, has comprised a series of moves. First came the suspension of the gold standard, and then gold-buying, which cheapened the dollar in relation to foreign currencies.

The increase in the price of gold (expressed in dollars) which the new monetary policy had in view, made it possible for foreign buyers to pay more dollars for a given quantity of American goods without changing the amount of gold or the amount of their own currencies which they were required to spend.

In a speech Secretary Wallace said that "the Secretary of Agriculture and the producers of export crops have appreciated the relief which the money policy has given during the past year."

In January, 1934, the President asked Congress to take action "in conformity with the progress we are making in restoring a fairer price level and with our purpose of arriving eventually at a less variable purchasing power for the dollar."

Accordingly, a range of 50 to 60 percent of its former gold parity was established as the limit of fluctuation of the dollar, and the President announced a definite devaluation of the dollar to 59.06 percent of its former gold content.

Whom Does the Devalued Dollar Benefit?

Secretary Wallace, in the speech from which a preceding quotation was taken said: "Increasing the price of gold from $20.67 an ounce to $35.00 an ounce has increased the purchasing power of foreign currencies for American dollars, and has thus made our cotton, tobacco, lard, automobiles, lubricating

oil, and the like, far cheaper in terms of foreign currencies than they seem here at home in terms of American dollars."

The Secretary further remarked that "It is important that producers of export products look on relief of this sort as merely a breathing spell. Our goal must be either the restoration of fundamentally sound foreign purchasing power for our exports, or a domestic program that enables us to stop producing all exports except those which we can sell at a satisfactory price abroad."

What Course Shall America Choose?

In the first year of crop adjustment it was emphasized that it was the loss of foreign outlets that had caused many of the surpluses of various products to pile up, but that because those vanished markets could not be counted on, adjustments had to be made on the basis of sales at home.

The emphasis was thus on reducing the production of crops whose former markets had vanished.

The first year's adjustment experience raised the question as to what market American goods ought to be produced to fill, whether a market limited to the United States, a world market, or a market soundly combining domestic and foreign sales.

In February, 1934, these three possible forms of a national economic policy, with their respective advantages and costs, were presented in a pamphlet called "America Must Choose," by Secretary Wallace, with a request that they be discussed.

The general temper of the country seemed to favor moves which would renew foreign purchasing power, even as domestic purchasing power had been renewed by the administration's emergency programs.

What Hinders Foreign Buying?

Obvious obstacles to a renewal of foreign buying of American goods are the tariffs which all countries, especially the United States, pushed higher and higher during the last 10 years.

Consequently, in March, 1934, the President asked Congress for executive power to use the American tariff as a bargaining arm in renewing foreign trade. In June Congress authorized the President to adjust the tariff by as much as 50 percent of current rates.

Tariff-making as a recognized executive function changes the ground on which we stand in viewing our tariff policy. In the past it was a matter of protecting particular industries and occupations. Now it is the Chief Executive's function in tariff-making to represent the Nation as a whole.

Is a New National Trade Policy Needed?

Our tariffs in the years to come will be expressions of National trade policy.

Events of the past year made it clear that because of changed world conditions, drastic readjustments of a permanent nature must be made either by agriculture or by industry, if moderate readjustments are not to be made by both.

Secretary Wallace has suggested that readjustments will be fairest and least painful if they are shared by agriculture and industry. In his view, the best course is the middle course.

This means increasing the importation of industrial goods by several million dollars' worth and continuing moderate limitations on cultivated acreage.

Congress has moved in the direction of this middle course by passing the Reciprocal Tariff Act.

What Was the Farm Situation After a Year?

What was the farm situation after a year's experience of the national recovery policies?

From August 1933, when the distribution of benefit payments began, to April 1934, farm cash income totaled $4,199,000,000.

That sum represented an increase of about $1,200,000,000 or 38 percent over the income of the same period in the preceding year. Benefit payments contributed nearly a fifth of the increase.

(Farm cash income for 1934, it now appears will total $6,000,000,000. That is a billion more than the 1933 cash income. To the increase, benefit payments contributed more than half.)

The price per unit of the seven basic commodities increased from 51 percent of the pre-war level in March, 1933, to 76 percent of that level in May, 1934.

Have Tobacco Producers Benefited?

Tobacco is marketed during only part of the year. It is therefore necessary to quote prices by the season rather than on a given date.

Figures for our most important type of tobacco show a market price in the 1932 season of 11.6 cents a pound, and 15.2 cents a pound in the 1933 season.

(For the American tobacco crop as a whole, the 1934 season figures will show a very large increase in price to producers.)

How Do 1932 and 1933 Prices Compare?

The improvement in farm cash income reflected an important increase in prices at which farm commodities were sold.

The income of cooperators in adjustment programs was further increased by benefit payments. The change in total returns from the basic commodities for which the first three adjustment programs were undertaken is significant.

The farm income from cotton in 1932 was $483,912,000. The farm value of the 1933 crop, seed and lint, plus cash rental payments and profits from options, was $845,405,000--an increase of 74 percent in cotton growers' income.

The farm income from wheat underwent an advance from the 1932 value of $194,446,000 to a 1933 value of $367,153,000.

The farm income from tobacco increased from $107,115,000 in 1932 to an estimated total of $179,088,000 for 1933.

What Other Points Should be Considered?

In considering the advance in the income of farmers for commodities which they sold in 1932 and 1933, several points should be borne in mind.

The increased income actually received during the year does not necessarily represent the value of crops of that year.

Wheat producers, for instance, sold in 1933 considerable quantities of wheat which they had been holding over from previous seasons, thereby securing a larger income than the value of the current crop.

Corn growers, however, not only had a much smaller crop to sell in 1933 than in 1932, but held a large amount of the crop off the market in sealed cribs or warehouses in order to take advantage of the Government corn loans.

The income of corn producers, therefore, represents less than the value of the 1933 crop. The advantage gained by holding the remainder is indicated by the fact that the price of corn in March 1933, was around 20 cents and in July 1934, around 60 cents a bushel.

What Were the 1933 Benefits?

Farmers in 1933 reaped substantial benefits that are shown by figures from crop-control programs and other measures instituted in that year. They also reaped benefits which figures do not show.

Adjustment programs curtailed the output of our surplus crops, but they did not curtail total agricultural production.

Under these programs, farmers have shifted production from crops that were not needed to other crops that were needed. (Flax was grown in New Jersey this year for the first time in a century.)

Our surpluses arose because we plowed up 40 million acres of grass and woodlands to supply war needs that ended with the war.

A return to a balance between grass, plowland and woods, such as existed in the parity period, is a long-time objective of the adjustment programs.

This is in line with sound farm-management practices that have been advocated for many years by state agricultural institutions and the Department of Agriculture.

Has the Debt Load Been Lightened?

An increased farm income between 1932 and 1934 was accompanied by a considerable lightening of the farm debt burden.

Through Federal Land Banks and the Land Bank Commissioner, the Farm Credit Administration, established at the same time as the Adjustment Administration, affords facilities for refinancing farm mortgage indebtedness.

Within the year closing July 15, 1934, about a billion dollars was loaned in farming areas at reduced interest rates. Also, the borrowers were benefited by modifying the terms of the obligations.

Were the Corn and Cotton Loans Helpful?

In the fall of 1933 the Commodity Credit Corporation made loans on cotton and cotton options and on corn held off the market in sealed cribs and warehouses.

The loan value of corn was more than twice the price of a year before. The 45-cents-a-bushel loan rate stabilized the price of corn at about that level.

The loan value of cotton was more than 60 cents above the previous year's price.

In both cases, the loans made money available to corn and cotton growers earlier than it would otherwise have been.

Was Board of Trade Speculation Curbed?

The farmer and not the speculator received the benefits of the increased prices.

A curb on speculation was made effective when limits were set on the daily price fluctuations of speculative commodities on the Chicago Board of Trade.

Are Farmers Better Off Now?

A comparison between the market prices which farmers received, per unit, for products sold and the prices which they had to pay for things bought in May 1933, and May 1934, shows that the market prices received by farmers and the market prices that they paid had both risen to approximately the same extent.

Were farmers, therefore, no better off in May, 1934, than they were in May, 1933?

The answer is that for farmers who were cooperating in adjustment programs the market price was only a part of their total returns. Benefit payments were also an important part.

The increase in total farm income made it possible for farmers to buy many more units of the things they needed, even though the relation between unit prices of these things and the unit prices of what the farmers sold remained the same.

The total number of things that farmers could afford is no less important to the general welfare than the price at which they obtained these things.

All but 1,000 banks in the United States have been covered by the Federal Deposit insurance. Of those covered, only two have failed. None has failed in a farming area. Tax delinquency has been markedly reduced.

County finances have been notably strengthened since the last quarter of 1933. This means funds for schools and other public services.

Has Farmer Buying Power Been Increased?

Increased farm purchasing power is shown by increases in sales in rural areas. These increases began in the autumn of 1933, first in regions where adjustment crop-control programs had first become effective.

Between March 1933, and March 1934, rural sales rose 65 percent. In the first six months of 1934 commercial failures dropped 42 percent in cities; in rural areas they dropped 52 percent.

The farmer's increased income is indicated in the year-end reports of banks and insurance companies which had large holdings of farm mortgages.

Isn't a New Partnership at Work?

It is increasingly clear that the partnership which farmers have formed with one another through the centralizing power of the Government has renewed the partnership between farm and city. That is vital to the welfare of the Nation as a whole.

Between 1932 and 1934 farmers organized collectively to deal with their collective interests.

Cotton growers who signed 1,026,514 adjustment contracts in 1933 represented 73 percent of the total cotton acreage.

Wheat growers who signed more than 550,000 adjustment contracts for the 1933-34 crop represented 77 percent of the total wheat acreage.

Tobacco growers who signed about 275,000 adjustment contracts represented 95 percent of the total tobacco acreage.

Corn-hog producers who signed over 1,000,000 adjustment contracts, to be effective in 1934, represented more than 75 per cent of the nation's hog population.

Aren't Farmers Helping Themselves?

County production-control associations formed by the signers of adjustment contracts are local expressions of economic democracy in action.

Through these associations, collective action can be taken to make the farm output fit available markets.

Through the same mediums is formulated farm opinion on what markets should be made available to American farmers and what methods should be followed in adjusting production to them.

In many countries where production control has been undertaken as a result of the world-wide depression, control has been imposed from above.

In the United States, production has been adjusted by democratic procedures.

(In its November, 1934, issue, The National Grange Monthly editorially said: "The American farmer is capable of controlling his own affairs through organization, cooperation and teamwork, plus the guidance and administrative assistance of Government".)

Have Farmers Widened Their View?

Cash gains from collective action are not the only benefits obtained by farmers who are cooperating with one another under adjustment programs.

Those who have had experience in crop control are thinking in terms of the National output of certain crops.

Each farmer's part in that output remains, and should remain, his first interest, but he now recognizes that his part is a part, and that it is definitely related to a larger whole.

Finally, the definition of parity price as a relation between city-made and farm-grown commodities causes farmers to think of their own welfare as being tied up with the welfare of non-agricultural producers.

These producers, with farmers, make up the American economic community.

The sense of belonging to that community is widening the farmer's view, and he is becoming accustomed to assist in the formulation of National economic policies.

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